



Submission for OMB Review; Comment Request
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Securities and Exchange Commission
Office of FOIA Services
100 F Street, NE,
Washington, DC 20549-2736

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Extension: Rule 11a-3

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520), the Securities and Exchange Commission (the “Commission”) has submitted to the Office of Management and Budget a request for extension of the previously approved collection of information discussed below.

Section 11(a) of the Investment Company Act of 1940 (“Act”) (15 U.S.C. 80a-11(a)) provides that it is unlawful for a registered open-end investment company (“fund”) or its underwriter to make an offer to the fund’s shareholders or the shareholders of any other fund to exchange the fund’s securities for securities of the same or another fund on any basis other than the relative net asset values (“NAVs”) of the respective securities to be exchanged, “unless the terms of the offer have first been submitted to and approved by the Commission or are in accordance with such rules and regulations as the Commission may have prescribed in respect of such offers.” Section 11(a) was designed to prevent “switching,” the practice of inducing shareholders of one fund to exchange their shares for the shares of another fund for the purpose of exacting additional sales charges.

Rule 11a-3 (17 CFR 270.11a-3) under the Act of 1940 is an exemptive rule that permits open-end investment companies (“funds”), other than insurance company separate accounts, and funds’ principal underwriters, to make certain exchange offers to fund shareholders and shareholders of other funds in the same group of investment companies. The rule requires a fund, among other things, (i) to disclose in its prospectus and advertising literature the amount of any

administrative or redemption fee imposed on an exchange transaction, (ii) if the fund imposes an administrative fee on exchange transactions, other than a nominal one, to maintain and preserve records with respect to the actual costs incurred in connection with exchanges for at least six years, and (iii) give the fund's shareholders a sixty day notice of a termination of an exchange offer or any material amendment to the terms of an exchange offer (unless the only material effect of an amendment is to reduce or eliminate an administrative fee, sales load or redemption fee payable at the time of an exchange).

The rule's requirements are designed to protect investors against abuses associated with exchange offers, provide fund shareholders with information necessary to evaluate exchange offers and certain material changes in the terms of exchange offers, and enable the Commission staff to monitor funds' use of administrative fees charged in connection with exchange transactions.

The staff estimates that there are approximately 1,397 active open-end investment companies registered with the Commission as of October 2020. The staff estimates that 25 percent of these funds (349 funds) impose a non-nominal administrative fee on exchange transactions. The staff estimates that the recordkeeping requirement of the rule requires approximately 1 hour annually of clerical time (at an estimated \$63 per hour)¹ per fund, for a total of 349 hours for all funds (at a total annual cost of \$21,987).²

The staff estimates that 5 percent of these 1,397 funds (or 70 funds) terminate an exchange offer or make a material change to the terms of their exchange offer each year, requiring the fund to comply with the notice requirement of the rule. The staff estimates that complying with the notice requirement of the rule requires approximately 1 hour of attorney time

¹ This estimate of \$63 per hour for clerical work and the other estimated wage rates below are derived from the Securities Industry and Financial Markets Association's ("SIFMA") Office Salaries in the Securities Industry 2013, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead (updated for inflation).

² This estimate is based on the following calculations: $(1,397 \text{ funds} \times 25\% = 349 \text{ funds})$; $(349 \times 1 \text{ (clerical hour)} = 349 \text{ clerical hours})$; $(349 \times \$ 63 = \$21,987 \text{ total annual cost for recordkeeping requirement})$.

(at an estimated \$419 per hour)³ and 2 hours of clerical time (at an estimated \$63 per hour) per fund, for a total of approximately 210 hours for all funds to comply with the notice requirement (at a total annual cost of \$38,150).⁴ The staff estimates that such notices will be enclosed with other written materials sent to shareholders, such as annual shareholder reports or account statements, and therefore any burdens associated with mailing required notices are accounted for in the burdens associated with Form N-1A registration statements for funds.

The recordkeeping and notice requirements together impose an estimated total burden of 559 hours on all funds (at a total annual cost of \$60,137).⁵ The total number of respondents is 419, each responding once a year.⁶ The burdens associated with the disclosure requirement of the rule are accounted for in the burdens associated with the Form N-1A registration statement for funds.

Table 1 below summarizes the currently-approved and updated burdens associated with rule 11a-3.

Table 1: Summary of Burden Estimates for Rule 11a-3

	Internal Burden	Wage Rate	Cost of Internal Burden
CURRENTLY-APPROVED BURDEN ESTIMATES			
Recordkeeping Requirement	1 hour	\$59/hr. (clerk)	\$59
Respondents	402 funds		402 funds
Total	402 hours		\$23,718
Notice Requirement	1 hour	\$392/hr. (attorney)	\$392
	2 hours	\$59/hr. (clerk)	\$118
Respondents	80 funds		80 funds
Total	240 hours		\$40,800
Total Responses (Recordkeeping + Notice)	482		

³ The estimate of \$419 per hour for an Attorney is derived from SIFMA's Management & Professional Earnings in the Securities Industry 2013, modified to account for an 1800-hour work-year and multiplied by 5.35 to account for bonuses, firm size, employee benefits and overhead (adjusted for inflation).

⁴ This estimate is based on the following calculations: (1,397 (funds) × 5% = 70 funds); (70 × 1 (attorney hour) = 70 total attorney hours); (70 (funds) × 2 (clerical hours) = 140 total clerical hours); (70 (attorney hours) + 140 (clerical hours) = 210 total hours); (70 (attorney hours) × \$419 = \$29,330 total attorney cost); (140 (clerical hours) × \$63 = \$8,820 clerical cost); (\$29,330 + \$8,820 = \$38,150 total annual cost).

⁵ This estimate is based on the following calculations: (210 (notice hours) + 349 (recordkeeping hours) = 559 total hours); (\$38,150 (notice costs) + \$21,987 (recordkeeping costs) = \$60,137 total annual costs).

⁶ This estimate is based on the following calculation: (349 funds responding to recordkeeping requirement + 70 funds responding to notice requirement = 419 total respondents).

Total Burden (Recordkeeping + Notice)	642 hours		\$64,518
UPDATED BURDEN ESTIMATES			
Recordkeeping Requirement	1 hour	\$63/hr. (clerk)	\$63
Respondents	349 funds		349 funds
Total	349 hours		\$21,987
Notice Requirement	1 hour	\$419/hr. (attorney)	\$419
	2 hours	\$63/hr. (clerk)	\$126
Respondents	70 funds		70 funds
Total	210 hours		\$38,150
Total Responses (Recordkeeping + Notice)	419		
Total Burden (Recordkeeping + Notice)	559 hours		\$60,137

The estimate of average burden hours is made solely for the purposes of the Paperwork Reduction Act, and is not derived from a comprehensive or even a representative survey or study of the costs of Commission rules and forms. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid control number.

The public may view background documentation for this information collection at the following website: >www.reginfo.gov<. Find this particular information collection by selecting "Currently under 30-day Review - Open for Public Comments" or by using the search function. Written comments and recommendations for the proposed information collection should be sent within 30 days of publication of this notice to (i) >www.reginfo.gov/public/do/PRAMain< and (ii) David Bottom, Director/Chief Information Officer, Securities and Exchange Commission, c/o Cynthia Roscoe, 100 F Street, NE, Washington, DC 20549, or by sending an email to: PRA_Mailbox@sec.gov.

Dated: June 4, 2021.

J. Matthew DeLesDernier,
Assistant Secretary.

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